

1 statute, the New Jersey Casino Control Act, which
2 passed in 1977.

3 Mr. Perskie, and all of our panelists, I
4 would ask you to please proceed and allow time within
5 your time for questions, so that we can have the
6 opportunity to interact with you. I am going to ask
7 the staff to please work hard to -- the gentleman
8 standing right behind the press platform, can I ask
9 you to move the conversations out into the hall, and
10 then we're going to close the doors, and then we're
11 going to hear from this esteemed panel.

12 Thank you very much. Please, go ahead.

13 MR. PERSKIE: Thank you, Chairwoman James
14 and members of the Commission, good morning. I very
15 much appreciate the invitation to appear here today
16 and to present some information relating to the
17 economic impact of gaming on Atlantic City and the
18 state of New Jersey.

19 Inasmuch as I will be the only speaker
20 before you who was involved in the effort to legalize
21 gaming in New Jersey, I thought it would be helpful to
22 you to explain what our purpose was, why we chose

1 gaming, and from that perspective to review what we
2 have learned since 1976, and examine the impact that
3 the industry has had on this area.

4 And, Madam Chair, as you've indicated, I
5 would very much appreciate the opportunity, whether as
6 part of this panel today or at some later date, to
7 engage in some sort of dialogue with the Commission.

8 In 1976, Atlantic City was a dying
9 community. Once the crown jewel of the state's
10 tourism and convention industry, which was then second
11 only to manufacturing as the largest generator of
12 revenues in New Jersey's economy, the city had fallen
13 victim to the classic urban blight syndrome,
14 skyrocketing local property taxes, the flight of small
15 business to the suburbs, deterioration of the older
16 hotel facilities that had made the boardwalk famous
17 for many years. Crime was rising as fast as the
18 unemployment rate, and both were dramatically higher
19 than those of most other sections of the state and
20 nation.

21 Most of the few jobs available for city
22 residents were 12-week seasonal positions, and the

1 welfare roles and unemployment roles, especially in
2 the winter, were the highest in the state. The only
3 growth industry in the area was government, and the
4 bitter reflection of the lack of hope was the often
5 expressed remark, will the last person off the island
6 please turn out the lights.

7 At that time, legalized gaming was unknown
8 in the United States outside of Nevada, but our
9 thinking was that properly defined and controlled it
10 could provide the means of attracting the investment
11 capital, the business leadership and the imagination
12 to rebuild Atlantic City's, and thereby New Jersey's,
13 tourism and convention industries.

14 We faced some substantial obstacles.
15 Gaming was not then an industry that could generally
16 be financed by standard Wall Street processes. New
17 Jersey and Atlantic City had suffered many incidents
18 of political corruption that cast doubt on our ability
19 to establish a strong and effective regulatory
20 structure. And, to be sure, the gaming industry itself
21 carried, at least outside of Nevada, something of an
22 unsavory reputation.

1 What did we view as our goals? What did we
2 promise the people of New Jersey and Atlantic City
3 when we asked for their votes? It has become very
4 fashionable among the opponents of gaming to say that
5 our promises were not kept. Let's take a hard look at
6 that.

7 We said that once established the gaming
8 industry would generate at least \$35 million annually
9 to benefit New Jersey's senior citizens and disabled
10 residents. As you have already heard yesterday, and
11 as my successor, Chairman Smith, will show you in a
12 few minutes, the annual revenue from the direct tax on
13 New Jersey's casinos exceeds \$300 million, and there
14 have been more than \$7 billion in various taxes and
15 fees generated by the industry for different programs.

16 We said that the gaming industry would
17 rebuild Atlantic City's hotels and create exciting new
18 visitor, tourist and convention facilities. To date,
19 more than \$7 billion of private capital has been
20 invested in hotels, housing and other facilities in
21 Atlantic City, a community that had a total property
22 tax base in 1976 of less than \$300 million. Nearly an

1 additional \$6 billion in new investment is now
2 actively being developed and should be on line within
3 three to four years. Compare this, for example, to
4 the \$2 billion invested in Atlanta in preparation for
5 the Olympic Games, a public/private commitment that
6 has rightly achieved international acclaim for its
7 contributions to that city.

8 We said that Atlantic City's residents
9 would benefit directly. In 1976, the city's
10 residential taxpayers paid more than 70 percent of the
11 city's property taxes, with an assessment rate in
12 excess of \$7.00 per \$100.00, while the entire
13 commercial sector of the city paid only about 30
14 percent. Today, the residents pay less than 20
15 percent, with the casinos alone bearing nearly 80
16 percent of the local tax burden, and the rate of
17 assessment is about \$3.00 per \$100.00. People who
18 choose to live in Atlantic City can now afford to do
19 so.

20 As you have heard, the city boasts a state
21 of the art high school facility, and new neighborhoods
22 and shops in place funding for the rebuilding of all

1 of our neighborhood schools, a stable tax base and,
2 perhaps, most importantly, a viable job market for its
3 people. More than 11,000 of Atlantic City's residents
4 work in the casino industry, in jobs that no longer
5 end on Labor Day. Funds generated by the gaming
6 industry have been used to provide extensive new
7 infrastructure for the city's public facilities,
8 including, of course, most visibly, this magnificent
9 convention center in which we sit today.

10 We said that businesses and interests
11 throughout the state would share in the economic
12 benefits that would be generated in Atlantic City. As
13 Chairman Smith will demonstrate, we exceeded every
14 projection in this area as well, and there are
15 companies all over the state that regularly provide
16 millions of dollars worth of goods and services
17 annually to the gaming industry, with careful
18 attention being paid by the Casino Control Commission
19 to assure that minority and women-owned businesses get
20 their fair share.

21 We said that we would regulate the casinos
22 honestly and effectively. We did such a good job of

1 doing so that without intending to, or even realizing
2 at the time that we had done it, we legitimized the
3 industry in America, both to Wall Street and to major
4 segments of Main Street. The industry is now
5 supported by conventional financing mechanisms and
6 voters in many jurisdictions have invited the industry
7 into their local communities and economies. In the
8 years that the industry has operated in New Jersey,
9 there has not been a single incident of betrayal of
10 the public's confidence by a gaming company, and New
11 Jersey's regulatory system has been used as a model in
12 locations all over the world.

13 Promises kept, you bet.

14 Am I, therefore, here to tell you that
15 gaming is the cure for any community that was dying,
16 as Atlantic City was, or that everything that has
17 happened here has been for the good, or that we have
18 come as far as we had hoped by now in rebuilding our
19 city? Of course not. We have learned a lot of
20 lessons from our experience, lessons that I hope you
21 will examine closely and with balance and address in
22 your final report, to the benefit of residents and

1 policymakers in other places who might consider gaming
2 as an option.

3 We have learned that with enough effort and
4 political will gaming can be honestly and effectively
5 regulated, and that the gaming industry personnel
6 welcome the legitimacy that comes with such a process.
7 Constant vigilance and scrutiny, however, as well as
8 adequate authority and resources for the regulators,
9 are required to maintain the confidence and trust of
10 the public.

11 We have learned that by itself the gaming
12 industry cannot rebuild a community or its economy.
13 Our great failing in New Jersey was the inability of
14 our city and state governments to recognize quickly
15 enough that a true public/private partnership would be
16 required, and that only by a massive commitment of
17 public sector resources, political will, as well as
18 dollars, could the private capital that the industry
19 was making available be leveraged into the kinds of
20 facilities and attractions that would permit the city
21 to become a true destination resort. We wasted much
22 of a decade before realizing that.

1 We have learned that it is critical to
2 develop gaming in a resort community only as a part of
3 a full range of attractions. Unless other non-gaming
4 attractions are also developed, the visitors who come
5 to a community with gaming will not easily be
6 attracted to leave the casinos, thus, creating
7 pressure to many existing businesses.

8 Here again, the media and gaming opponents,
9 some gaming opponents, have distorted this lesson to
10 their own purposes. Firstly, without the rebirth
11 fostered by gaming most of Atlantic City's retail
12 establishments would have gone out of business long
13 ago. Moreover, many higher quality, better local
14 businesses, including restaurants, have thrived in the
15 new economy of the area, either because they continue
16 to offer first rate products at their existing
17 locations in Atlantic City, places like Duck's, the
18 Gattigan's, Angeloni's, the Baltimore Grill, the
19 Fairmount Tavern, and, of course, the White House, our
20 White House, not your White House, come most readily
21 to mind, or because they have relocated into the
22 casino facilities, or in many cases because they have

1 moved into one or another of the immediately
2 surrounding communities and developed a new market
3 among the much larger and now noticeably more affluent
4 residential communities that comprise the greater
5 Atlantic City area.

6 A high school classmate of mine, whose
7 family had operated small souvenir shops on the
8 Boardwalk for many years before gaming, opened first
9 one, and then several clothing stores in the casino
10 hotels, and his family has prospered.

11 Those of us who have been local residents
12 since before gaming do not at all take for granted the
13 development of the new shopping malls and other
14 entertainment facilities all over the county. In
15 fact, there has been an increase of more than 120
16 percent in the number of restaurants in the area since
17 1977, a fact that my wife keeps in mind as she tries
18 to be sure that we visit each one.

19 We have learned that an area that is
20 considering gaming must understand the impact that the
21 industry will have on the host and surrounding
22 communities. When a gaming facility of any size is

1 developed, visitor volume, interests and preferences
2 will change, employment requirements, skills and
3 habits will change. Leisure dollar spending will
4 change, traffic patterns, and volume and
5 infrastructure needs will change. The community must
6 anticipate and adapt to these new facts and allocate
7 sufficient resources to meet the challenges.

8 In Atlantic City, we have seen an increase
9 in the annual visitor count from about 3 million to
10 more than 34 million people. This kind of explosive
11 growth cannot be absorbed without careful planning and
12 allocation of resources.

13 We have learned that the economic benefits
14 brought by the gaming industry do not come without
15 some social cost. New Jersey has done an excellent
16 job, in my judgment, of dealing proactively with the
17 subject of problem and under-aged gambling, but
18 constant vigilance and effective programming are
19 clearly needed in any gaming jurisdiction. So are
20 adequate public safety resources, in order that the
21 usual incidence of street crime that accompanies high
22 volumes of visitors can be adequately addressed.

1 And lastly, we have learned that achievable
2 expectations and a strong consensus about goals are
3 vitally necessary to any discussion about gaming in
4 the community. The problems that brought Atlantic
5 City to its knees took a full generation to develop.
6 In hindsight, it was never realistic to believe that
7 we could overcome them and build a new resort in less
8 time than that.

9 It is now nearly 20 years since the first
10 casino opened in Atlantic City, and we have only just
11 begun to show the dramatic turnaround that many of us
12 had hoped would long since be evident. Considering
13 the constant onslaught of a purposely negative
14 national media, only great patience and determination
15 by the people and leadership of the Atlantic City
16 community could have seen us through and brought us
17 now to what can rightly be called the end of the
18 beginning of the process.

19 So, if you have come to Atlantic City to
20 see the positive economic impact that gaming can have
21 on a community, you will see ample evidence of that
22 here. If you have come to see how much has changed in

1 Atlantic City as a result of gaming, you will see
2 that. If you have come here to see what hasn't been
3 accomplished yet, what we haven't succeeded in doing
4 so far, you will find plenty of that, too. If you
5 have come to see if some people and families have been
6 victimized by the sheer power of all of that
7 investment, or by the glitter and glamour of the
8 appearance of a quick buck, you will certainly also
9 see that.

10 What you won't find here is the simple or
11 the magic answer. You will not be able to conclude
12 that Atlantic City's experience proves that there is
13 any universal truth about gaming, that it is either a
14 cure all or a curse for any city. I would suggest to
15 you that with a carefully planned purpose and if
16 properly designed and adequately supported gaming can,
17 indeed, be a program that will help to provide the
18 financial resources that can rebuild the economy of a
19 resort community and provide jobs and decent
20 neighborhoods for its residents, and that with
21 effective supervision the industry and its personnel
22 can function and be seen as valuable corporate

1 citizens.

2 We will still have a rescue mission,
3 although, certainly one that is a much larger, more
4 hospitable, and much better funded facility than the
5 one that predated gaming, and we will still have
6 street crime and prostitution as we did before, and as
7 do all resort cities.

8 So, you will see here whatever you choose
9 to see. I hope that you will conclude that you are
10 seeing a community and a resort that are in the
11 process of being reborn for the greater benefit of all
12 of the people of Atlantic City and the state of New
13 Jersey.

14 We aren't yet what we want to be, but we
15 are, all of us, much more than we were.

16 CHAIRMAN JAMES: Thank you, Mr. Perskie.

17 Do we have one or two questions for Mr.
18 Perskie? I think he's used most of his time for his
19 presentation.

20 MR. PERSKIE: I'm sorry, I have a habit of
21 doing that.

22 CHAIRMAN JAMES: That's all right.

1 Mr. Perskie, I do want you to know I did
2 visit your White House last night, and they seemed a
3 lot happier than the people at the other one.

4 MR. PERSKIE: I understand.

5 Pretty good, Kay, I hope you enjoyed the
6 service.

7 CHAIRMAN JAMES: Forget the service, the
8 food was great.

9 MR. PERSKIE: Absolutely, absolutely.

10 Again, I know we don't have time here, I
11 would be pleased, as I mentioned to your staff, to
12 engage in any dialogue at any time, wherever you are
13 going to be I'll find you.

14 CHAIRMAN JAMES: Thank you.

15 Mr. Faldetta.

16 MR. FALDETTA: I want to thank everyone for
17 allowing me to speak here.

18 There is an old African proverb which says,
19 when the elephants battle the grass suffers. Here in
20 Atlantic City we have our own elephants that are
21 behemoths of the casino industry. They are at war
22 with one another, a war for gaining patrons.